

Message Text

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ACTION EA-12

INFO OCT-01 EUR-12 ISO-00 AID-05 CEA-01 CIAE-00
COME-00 EB-08 FRB-01 INR-10 IO-14 NEA-10 NSAE-00
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R 010133Z MAR 78
FM AMEMBASSY TOKYO
TO SECSTATE WASHDC 5675
TREASURY DEPT WASHDC
INFO AMEMBASSY BONN
AMEMBASSY BRUSSELS
AMEMBASSY LONDON
AMEMBASSY PARIS
AMEMBASSY ROME

UNCLAS TOKYO 3273

USEEC

USOECN ALSO FOR EMBASSY

E.O. 11652: N/A
TAGS: EFIN, JA
SUBJECT: STANDARD METHOD OF SETTLEMENT

REF: TOKYO 3078

1. SUMMARY. MINISTRY OF FINANCE (MOF) ANNOUNCED FEB 24
THAT EFFECTIVE MARCH 1, 1978, RULES FOR STANDARD METHOD
OF SETTLEMENT WILL BE EASED. END SUMMARY.

2. THE FOLLOWING CHANGES HAVE BEEN MADE:

(A) ADVANCE PAYMENT FOR IMPORTS WITHIN ONE YEAR PRIOR TO
IMPORT DECLARATION WILL BE PERMITTED WITHOUT REQUIRING
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AUTHORIZATION. HERETOFORE ADVANCE PAYMENT FOR IMPORTS
HAD BEEN PROHIBITED IN PRINCIPLE.

(B) THE STANDARD PERIOD FOR IMPORT SETTLEMENT WILL BE
EXTENDED TO WITHIN SIX MONTHS. AT PRESENT IT IS WITHIN
FOUR MONTHS.

(C) FOR IMPORTS OF CAPITAL GOODS, DURABLE CONSUMER GOODS AND GOODS UNDER CONSIGNMENT SALES CONTRACTS, THE STANDARD PERIOD FOR SETTLEMENT WILL BE EXTENDED TO ONE YEAR, FROM ITS PRESENT FOUR MONTHS.

(D) IMPORTERS OF CAPITAL GOODS AND CONSUMER DURABLE GOODS WILL BE PERMITTED TO BORROW SETTLEMENT FUNDS FROM FOREIGN BANKS FOR A PERIOD OF UP TO ONE YEAR. AT PRESENT THIS IMPORT USANCE CREDIT PERIOD IS RESTRICTED TO WITHIN 120 DAYS. IMPORTERS BORROWING SETTLEMENT FUNDS FROM JAPANESE BANKS WILL CONTINUE TO BE LIMITED TO A USANCE PERIOD OF WITHIN 120 DAYS.

3. COMMENT. EASING OF STANDARD METHOD OF SETTLEMENTS IS ONE ELEMENT OF THE 12-POINT JAPANESE PLAN TO EASE RESTRICTIONS ON INTERNATIONAL PAYMENTS ANNOUNCED JAN 26 (TOKYO 1444). THE EFFECTIVE DATE HAS BEEN MOVED UP TO MARCH 1 FROM A PREVIOUSLY ANNOUNCED APRIL 1 DATE. RESTRICTIONS ON THE STANDARD METHOD OF SETTLEMENT FOR CAPITAL GOODS, CONSUMER DURABLE GOODS, GOODS UNDER CONSIGNMENT AND ADVANCE PAYMENTS ARE THE LIMITATIONS THAT HAVE PROVOKED THE MOST COMPLAINTS FROM POTENTIAL EXPORTERS TO JAPAN. EXTENSION OF THE STANDARD PERIOD OF SETTLEMENT FOR THESE GOODS TO ONE YEAR SHOULD MEET MANY, BUT NOT ALL, OF THESE COMPLAINTS. THE EXPANSION OF THE IMPORT USANCE PERIOD FOR BORROWINGS FROM FOREIGN BANKS TO UP TO ONE YEAR WILL ALLOW IMPORTERS TO TAKE ADVANTAGE OF THE RELAXED STANDARD PERIOD OF SETTLEMENT

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WITHOUT DISRUPTING THE NORMAL PATTERN OF PAYMENTS, WHICH IS NOW CUSTOMARILY IN DOLLARS FOR IMPORTS. ACCORDING TO PRESS ACCOUNTS, THE CONTINUED LIMITATION ON IMPORT USANCE CREDIT FROM JAPANESE BANKS IS DESIGNED TO AVOID TOO RAPID A SHIFT TOWARD YEN FINANCING OF JAPANESE IMPORTS. WITH THE SHIFT TOWARD A STANDARD SIX-MONTH SETTLEMENT PERIOD FOR IMPORTS, IMPORT FINANCING TERMS GAIN A SLIGHT ADVANTAGE OVER EXPORTS. ALTHOUGH BOTH HAVE A SIX-MONTH SETTLEMENT PERIOD, THE EXPORT PERIOD EXTENDS FROM THE TIME EXPORTS LEAVE JAPAN WHILE THE IMPORT PERIOD DOES NOT BEGIN UNTIL THE IMPORT DOCUMENTS ARRIVE IN JAPAN.

MANSFIELD

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